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APPLICATION OF SOUTHWESTERN ELECTRIC POWER COMPANY FOR AUTHORITY TO CHANGE RATES	§ § § § §	BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS
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PUBLIC REDACTED VERSION

Direct Testimony and Exhibits

of

Billie S. LaConte

On Behalf of

Texas Industrial Energy Consumers

March 31, 2021



J. POLLOCK
INCORPORATED

317

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GLOSSARY OF ACRONYMS

Term	Definition
ADIT	Accumulated Deferred Income Taxes
AEP	American Electric Power
ARAM	Average Rate Assumption Method
CLECO	Cleco Power, LLC
DHLC	Dolet Hills Lignite Company
Dolet Hills	Dolet Hills Power Station
EADIT	Excess Accumulated Deferred Income Taxes
EPE	El Paso Electric Company
O&M	Operation and Maintenance
PPA	Purchased Power Agreement
SPP	Southwest Power Pool
SWEPCO	Southwestern Electric Power Company
T.A.C.	Texas Administrative Code
TCJA	Tax Cuts and Jobs Act of 2017
TIEC	Texas Industrial Energy Consumers

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AFFIDAVIT OF BILLIE S. LACONTE

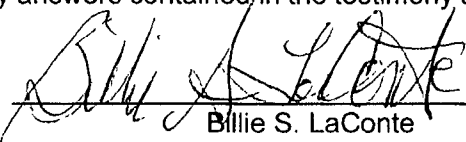
State of Missouri)
) SS
County of St. Louis)

Billie S. LaConte, being first duly sworn, on her oath states:

1. My name is Billie S. LaConte. I am an Associate at J. Pollock, Incorporated, 12647 Olive Blvd., Suite 585, St. Louis, Missouri 63141. We have been retained by Texas Industrial Energy Consumers to testify in this proceeding on its behalf;

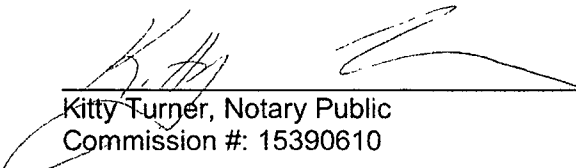
2. Attached hereto and made a part hereof for all purposes is my Direct Testimony, Exhibits and Appendices A and B, which have been prepared in written form for introduction into evidence in SOAH Docket No. 473-21-0538 and Public Utility Commission of Texas Docket No. 51415; and,

3. I hereby swear and affirm that my answers contained in the testimony are true and correct.


Billie S. LaConte

Subscribed and sworn to before me this 31 day of March 2021.

KITTY TURNER
Notary Public - Notary Seal
State of Missouri
Commissioned for Lincoln County
My Commission Expires: April 25, 2023
Commission Number: 15390610


Kitty Turner, Notary Public
Commission #: 15390610

My Commission expires on April 25, 2023.

Direct Testimony of Billie S. LaConte

Introduction, Qualifications and Summary

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A My name is Billie LaConte. My business address is 12647 Olive Blvd., Suite 585, St.
3 Louis, Missouri 63141.

4 **Q WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?**

5 A I am an energy advisor and Associate at J. Pollock, Incorporated.

6 **Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

7 A I have a Bachelor of Arts degree in Mathematics from Boston University and a Master's
8 degree in Business Administration from Washington University. Since graduating in
9 1995, I have been engaged in a variety of consulting assignments, including energy
10 procurement and regulatory matters in both the United States and several Canadian
11 provinces. More details are provided in **Appendix A**. A list of my appearances is
12 provided in **Appendix B**.

13 **Q ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

14 A I am testifying on behalf of Texas Industrial Energy Consumers (TIEC). TIEC
15 members purchase substantial amounts of electricity from Southwestern Electric
16 Power Company (SWEPCO) under various rate schedules.

17 **Q WHAT ISSUES ARE YOU ADDRESSING IN YOUR DIRECT TESTIMONY?**

18 A I am addressing:

- 19 • The appropriate ratemaking treatment of the Dolet Hills Power Station
20 (Dolet Hills);
21 • The refund of SWEPCO's excess accumulated deferred income taxes
22 (EADIT);

- 1 • SWEPCO's proposed Self-Insurance Reserve; and
2 • Imputed capacity costs.

3 **Q ARE YOU SPONSORING ANY EXHIBITS TO YOUR DIRECT TESTIMONY?**

4 A Yes. I am sponsoring **Exhibits BSL-1** through **BSL-3**.

5 **Q ARE YOU ENDORSING SWEPCO'S PROPOSALS ON THE ISSUES NOT**
6 **ADDRESSED IN YOUR TESTIMONY?**

7 A No. The fact that I am not addressing every issue should not be interpreted as an
8 endorsement of SWEPCO's proposals in this proceeding.

9 Summary

10 **Q PLEASE SUMMARIZE YOUR FINDINGS AND RECOMMENDATIONS.**

11 A My findings and recommendations are as follows:

12 Dolet Hills Ratemaking Treatment

- 13 • Dolet Hills was in operation during the test year (April 2019 through
14 March 2020). SWEPCO has announced that it will retire the plant in
15 December 2021. SWEPCO states that the decision was prompted by
16 problems at the Dolet Hills Lignite Company, which supplies the lignite
17 to fuel the plant.
- 18 • In this proceeding, SWEPCO is seeking full recovery of the costs of
19 Dolet Hills as a fully operational, used and useful facility. In addition,
20 SWEPCO is also seeking approval to recover all of the remaining net
21 book value of the plant. Under the latter proposal, SWEPCO would use
22 the EADIT balance to recover a portion of the capital, while the
23 remaining plant balance would be amortized over four years with a full
24 return.
- 25 • Thus, under SWEPCO's proposal, it would simultaneously recover (1)
26 the test-year costs of the plant, including a full regulatory return (after
27 the EADIT offset), and (2) all of the remaining investment prior to rates
28 being reset in SWEPCO's next rate case.
- 29 • The base rates to be approved in this proceeding should either be
30 based on the assumption that (1) Dolet Hills is operational and used
31 and useful or (2) Dolet Hills has been retired and is no longer used and
32 useful.

- If rates are set assuming a fully operational plant, then SWEPCO's proposal to accelerate recovery of the remaining unamortized balance should be rejected, and the plant's previously approved useful life should be used to set rates, consistent with the treatment of Welsh Unit 2 in Docket No. 40443.
- If rates are set assuming that Dolet Hills has been retired, then:
 - All of the test-year costs of the plant should be removed.
 - Consistent with the ratemaking treatment of SWEPCO's Welsh Unit 2 in Docket No. 46449, the remaining undepreciated plant balance should be amortized through the previously approved useful life of the plant, 2046, and SWEPCO should not receive a return on the remaining balance.
- In either event, the EADIT balance should be fully refunded to customers in one year and not used to recover Dolet Hill's capital.

Excess Accumulated Deferred Income Taxes

- SWEPCO proposes to offset a portion of Dolet Hills' remaining undepreciated plant balance with its EADIT. This is improper because the EADIT reflects past income tax overpayments by customers.
- The EADIT should be returned to customers over one year and include carrying costs for the balance since January 2018. SWEPCO has retained these funds for over three years and customers should have received the majority of these funds in 2018; therefore, SWEPCO should promptly return its EADIT to customers.

Self-Insurance Reserve

- SWEPCO is seeking approval for a self-insurance reserve for storm damage losses that are not covered by insurance. The target amount for the self-insurance reserve is \$3.6 million and the annual accrual to fund the reserve is \$890,000, over four years. In addition, SWEPCO is seeking \$799,700 per year to cover expected storm losses for transmission and distribution losses of at least \$500,000. The total proposed annual accrual is \$1.7 million.
- SWEPCO included storm data from the years 2000 and 2004 that are based on estimates and not representative of actual storm costs incurred during those years. Excluding the data from these years in the Monte Carlo simulation reduces the annual storm losses amount to \$575,000 and the self-insurance target reserve to \$2.7 million. The annual accrual for the self-insurance reserve is \$680,500. Therefore, the total annual accrual for storm losses should be \$1.3 million.

Imputed Capacity

- The Southwest Power Pool (SPP) has accredited certain SWEPCO purchases from various wind generating plants as providing approximately [REDACTED] MW of firm capacity. Thus, a portion of the costs incurred from these purchases are demand- or capacity-related costs.
- Under 16 Texas Admin. Code (T.A.C.) 25.236(a)(6), demand- or capacity-related costs are not eligible fuel expenses. Hence, they are properly recovered in base rates and not in the fuel factor.
- The accredited wind capacity has a value of \$[REDACTED] during SWEPCO's test year from April 2019 through March 2020. The Texas retail portion of the imputed capacity value is \$[REDACTED]. Imputed capacity costs should be treated as non-reconcilable fuel expense and recovered in SWEPCO's base rates and allocated to customer classes using the same methodology that applies to all production plant and related expenses. Additionally, the same amount of imputed capacity costs should be taken out of fuel as of the effective date of rates in this proceeding.

Dolet Hills Power Station

Q PLEASE DESCRIBE THE DOLET HILLS POWER STATION.

A The Dolet Hills Power Station is a 650 MW lignite plant that is fueled by lignite supplied by Dolet Hills Lignite Company (DHLC), a wholly owned subsidiary of SWEPCO. SWEPCO owns 262 MW (or 40.2%) of Dolet Hills, which is operated and managed by Cleco Power LLC (CLECO).

In May 2020, SWEPCO announced it will retire Dolet Hills early, ending operations no later than December 2021. The previously approved useful-life assumption for the plant was that it would operate until 2046.¹ SWEPCO asserts that the early retirement is due to a change in circumstances at the mines operated by DHLC, which ceased lignite production in May 2020. Dolet Hills will continue to

¹ SWEPCO's Response to TIEC 1-16(c); *Application of Southwestern Electric Power Company for Authority to Change Rates And Reconcile Fuel Costs*, Docket No. 40443, Order on Rehearing at FoF 198 (Mar. 6, 2014).

1 operate only during peak periods and will completely cease operations by the end of
2 2021 due to the mine closure.²

3 **Q HOW IS SWEPCO PROPOSING TO RECOVER THE REMAINING COSTS OF**
4 **DOLET HILLS?**

5 A SWEPCO is proposing to accelerate the recovery of Dolet Hills such that SWEPCO
6 will recover the entire \$45.4 million (Texas retail) undepreciated balance of Dolet Hills
7 from ratepayers over the next four years. Notably, this \$45.4 million balance includes
8 the unamortized portion of over \$56 million (Total Company) of additional investments
9 at Dolet Hills in environmental retrofits to comply with EPA's Cross State Air Pollution
10 and Mercury and Air Toxics Standards rules.³ These investments were made in the
11 2013 – 2015 period and included in rate base in SWEPCO's last rate case.⁴ To justify
12 these retrofits, SWEPCO presented an analysis that assumed that Dolet Hills would
13 be operational until 2046.⁵ In this same proceeding, SWEPCO's rates were set based
14 on the assumption that Dolet Hills would operate until 2046,⁶ the same retirement-date
15 assumption that has been used to set rates throughout the plant's life.⁷

² Direct Testimony of Thomas P. Brice at 6.

³ *Application of Southwestern Electric Power Company for Authority to Change Rates*, Docket No. 46449, Order on Rehearing at 13. (Mar. 19, 2018).

⁴ *Id.*, see also, Docket No. 46449, Direct Testimony of Paul W. Franklin at 18 (Dec. 2016).

⁵ *Application of Southwestern Electric Power Company for Authority to Reconcile Fuel Costs*, Docket No. 50997, SWEPCO Response to TIEC 12-26(b) (Feb. 3, 2021).

⁶ SWEPCO's Response to TIEC 1-16(c).

⁷ *Application of Southwestern Electric Power Company for Authority to Change Rates*, Docket No. 37364, Direct Testimony of David A. Davis at 16 (noting that this was the rate case in which Dolet Hills was first put into rates) & Ex. DAD-1 at 25 (using 2046 as assumed retirement date for Dolet Hills).

1 **Q WHAT IS SWEPCO'S SPECIFIC PROPOSED RATEMAKING TREATMENT FOR**
2 **DOLET HILLS?**

3 A SWEPCO has proposed a four year amortization period of the undepreciated balance
4 of the plant. It will first offset the undepreciated balance of Dolet Hills (approximately
5 \$45.4 million Texas retail) with SWEPCO's EADIT balance (approximately \$30.4
6 million Texas retail).⁸ SWEPCO would then recover the remaining balance
7 (approximately \$15 million Texas retail) over a four year period, with a full return on
8 the unamortized balance.

9 **Q WHAT DOES SWEPCO PROPOSE WITH RESPECT TO EXPENSES RELATED TO**
10 **DOLET HILLS?**

11 A Despite the fact that it intends to retire Dolet Hills by the end of 2021, and in fact may
12 retire the plant before then, SWEPCO has not removed any of the test-year expenses
13 for the plant from its requested rates in this case. SWEPCO states that it anticipates
14 Dolet Hills will provide service to customers at the beginning of the rate year (April
15 2021), and therefore no post test-year adjustments were made.⁹ SWEPCO has
16 proposed to include \$6 million (Texas retail) for operation and maintenance (O&M)
17 expense, insurance, and taxes for Dolet Hills. Thus, in addition to accelerating
18 recovery for Dolet Hills, SWEPCO is proposing to recover approximately \$24 million
19 over the next four years for a plant that will no longer be in service after 2021.

⁸ Direct Testimony of Michael A. Baird, Exhibit MAB-4.

⁹ SWEPCO Response to CARD 2-13.

1 **Q WHAT IS THE REVENUE REQUIREMENT IMPACT OF SWEPCO'S PROPOSAL?**

2 A As noted, SWEPCO would first get immediate recovery of \$30.4 million of the
3 unamortized balance of Dolet Hills. Then it would get a full return on and of the
4 remaining amount that is not offset by EADIT over a four year period, along with
5 expenses as if the plant were still operating throughout that period. The annual
6 revenue requirement impact after the \$30.4 million offset is set out in the following
7 table.

Table 2 Dolet Hills Revenue Requirement (\$Millions)	
Description	Amount
Plant Balance	\$45.4
EADIT Adjustment	(30.4)
Remaining Balance	\$15.0
Return	1.3
Depreciation	3.7
O&M	4.6
Insurance	0.2
Tax	1.2
Total	\$11.0
Sources: SWEPCO Responses to OPUC 5-7, Attachment 1 and TIEC 1-24.	

8 **Q WHAT IS THE TOTAL IMPACT OF SWEPCO'S PROPOSAL OVER THE NEXT**
9 **FOUR YEARS?**

10 A Under SWEPCO's proposal, it would collect \$44 million over four years and customers
11 would not receive a refund of the \$30.4 million EADIT balance.

1 **Q WHY SHOULD SWEPCO REFUND THE EADIT BALANCE TO CUSTOMERS?**

2 A SWEPCO's accrual of a large EADIT balance as a result of the Tax Cuts and Jobs Act
3 (TCJA) is not related to the impending retirement of Dolet Hills. SWEPCO's ratepayers
4 are entitled to a refund of these EADIT amounts regardless of how the Commission
5 decides to treat Dolet Hills. I will address the appropriate treatment of SWEPCO's
6 EADIT balance separately later in my testimony.

7 **Q IS IT REASONABLE FOR SWEPCO TO RECOVER THE \$45.4 MILLION OF**
8 **REMAINING UNDEPRECIATED BALANCE IN DOLET HILLS OVER FOUR**
9 **YEARS?**

10 A No. SWEPCO's base rates have been set based on an assumption that Dolet Hills
11 would remain in service until 2046. It would be unfair and extremely burdensome to
12 SWEPCO's current ratepayers to abruptly change course by requiring them to pay for
13 the entire remaining undepreciated balance (which was supposed to be recovered
14 over 25 years) in only four years.

15 **Q DO YOU HAVE ANY OTHER OBSERVATIONS REGARDING SWEPCO'S**
16 **PROPOSAL?**

17 A Yes. SWEPCO's proposal is internally inconsistent. SWEPCO proposes accelerated
18 cost recovery and special ratemaking treatment for Dolet Hills based on its impending
19 retirement. However, its proposal also treats the plant as if it is a fully operational plant
20 by including a full year's worth of expenses in the rates it will charge for the next four
21 years. Additionally, SWEPCO seeks a return on the post-offset balance, which, as
22 discussed further below, is inconsistent with how the Commission treats retired plants.
23 Thus, SWEPCO in essence proposes to treat the plant as if it were simultaneously
24 retired and not retired.

1 **Q HOW SHOULD THE COMMISSION TREAT DOLET HILLS IN THIS PROCEEDING?**

2 A The base rates to be approved in this proceeding should either be based on the
3 assumption that (1) Dolet Hills is an operational plant or (2) Dolet Hills has been retired.

4 **Q HAS THE COMMISSION RECENTLY ADDRESSED RATEMAKING ISSUES**
5 **REGARDING THE EARLY RETIREMENT OF A PLANT?**

6 A Yes, with respect to SWEPCO's Welsh Unit 2. When SWEPCO filed Docket No.
7 40443 in 2012, it had already announced that it intended to retire Welsh Unit 2 in 2016,
8 which was more than 20 years earlier than previously anticipated. In fact, SWEPCO
9 had entered into a federal consent decree agreeing to retire Welsh Unit 2 by no later
10 than December 31, 2016.¹⁰ However, Welsh Unit 2 was still operational at the time of
11 Docket No. 40443. SWEPCO sought accelerated recovery of the remaining
12 undepreciated plant costs in that case. Specifically, while the original useful life of
13 Welsh Unit 2 was 2040, SWEPCO proposed to accelerate the recovery of the
14 undepreciated balance by recovering all of it through the new retirement date of
15 2016.¹¹

16 **Q DID THE COMMISSION APPROVE SWEPCO'S PROPOSAL TO ACCELERATE**
17 **RECOVERY OF THE REMAINING UNDEPRECIATED PLANT COSTS FOR WELSH**
18 **UNIT 2?**

19 A No. The Commission ruled against the requested ratemaking treatment. The
20 Proposal for Decision, which was adopted by the Commission on this point, found:

21 Because Welsh Unit 2 remains operational (though at a reduced
22 capacity), and until the Commission has had an opportunity to evaluate
23 the retirement of Welsh Unit 2, the ALJs recommend that the retirement

¹⁰ Consent Decree, *Sierra Club, et al. v. United States Army Corps of Engineers, et al.*, Civil No. 4:10-cv-04017-RGK (W.D. Ark. Dec. 22, 2011).

¹¹ Docket No. 40443, *Proposal For Decision* at 176 (May 20, 2013).

1 date for Welsh Unit 2 be 2040. If SWEPCO eventually retires Welsh
2 Unit 2 in 2016, it can request that retirement date in a future rate
3 proceeding.¹²

4 The Commission also ruled in Docket No. 40443 that the determination of whether
5 SWEPCO's decision to reduce production and ultimately retire Welsh Unit 2 was
6 prudent should be deferred to a future proceeding that addresses the actual retirement
7 of the plant when it occurs.¹³

8 **Q WHAT WOULD BE THE APPROPRIATE RATEMAKING TREATMENT IF DOLET**
9 **HILLS WAS TREATED AS AN OPERATIONAL PLANT?**

10 A If the Commission is to treat Dolet Hills as still in operation, it should keep Dolet Hills
11 in rate base while maintaining the existing depreciation schedule based on a 2046
12 retirement date.

13 **Q WHAT WOULD BE THE APPROPRIATE RATEMAKING TREATMENT IF DOLET**
14 **HILLS WAS TREATED AS A RETIRED PLANT?**

15 A The Commission's precedent on Welsh Unit 2 also addresses this question. By the
16 time of SWEPCO's subsequent base rate proceeding (Docket No. 46449), Welsh Unit
17 2 had been retired. The Commission removed the plant from base rates, and
18 SWEPCO was authorized to recover the remaining undepreciated balance, without a
19 return, under a 24-year depreciation schedule, consistent with the useful lives of the
20 other Welsh Units.¹⁴ Additionally, the Commission made a post test-year adjustment
21 to remove O&M associated with Welsh Unit 2 from base rates.¹⁵ If Dolet Hills is treated

¹² *Id.* at 177, adopted by *Order on Rehearing* at FoFs 198-99 (Mar. 6, 2014).

¹³ *Id.* at 11 & FoF 125A.

¹⁴ Docket No. 46449, *Order on Rehearing* at FoF 70 (Mar. 19, 2018). This depreciation schedule was, in fact, one year longer than Welsh Unit 2's previously established useful life of 2040.

¹⁵ *Id.*, FoFs 166-67.

1 as a retired plant in this proceeding, the Commission should similarly remove the plant
2 and O&M from base rates, and allow SWEPCO to recover the remaining
3 undepreciated balance, without a return, through 2046, the previous retirement date.

4 **Q IF THE COMMISSION DECIDES TO TREAT DOLET HILLS AS A RETIRED PLANT**
5 **IN THIS PROCEEDING, WOULD THERE BE GOOD CAUSE TO REMOVE IT FROM**
6 **RATE BASE?**

7 **A** Yes. While I recognize that Dolet Hills would still be in service (on a seasonal basis)
8 at the beginning of the rate year (which, in this case, is March 18, 2021), there is a
9 confluence of factors in this case that would support treating it like a retired plant.

10 First, SWEPCO's new retirement date for Dolet Hills represents a significant
11 change in circumstances. SWEPCO has not only announced that it will retire the plant
12 25 years earlier than previously anticipated, it is proposing to reflect that change in
13 rates less than one year before the new retirement date will occur. Indeed, the plant
14 will be in-service for at most nine months after rates are effective in this case, and may
15 be retired even before then, since it is operating seasonally (i.e., during the summer)
16 and only until its existing stockpile of lignite is burned through. Under SWEPCO's
17 proposal, the \$45.4 million remaining balance, including the recent retrofit investment,
18 which was to be recovered from ratepayers over a 25-year period would be recovered
19 over only a four year period. The magnitude of this accelerated recovery is significant
20 and unusual. Generally, plants are not retired this much earlier than their expected
21 useful life with this much of an unamortized balance.

22 Second, the amount of unrecovered costs associated with assets SWEPCO
23 has retired early, or plans to retire early, make this an unusual situation. In addition to
24 the Dolet Hills plant itself, there are significant additional, unrecovered fixed costs

1 associated with the mines that supplied lignite to Dolet Hills. Unlike other fuel contracts
2 where the utility pays a fuel supplier a fixed or market price for the fuel that is
3 purchased, the DHLC Lignite Mining Agreement passes on the full cost of these mines
4 to SWEPCO (and CLECO). In that way, the fuel costs associated with DHLC are
5 recovered in a manner that is more akin to cost-of-service recovery (although
6 SWEPCO doesn't get a return). As a result of this structure, there is \$109 million
7 (Total Company) of fixed costs associated with the DHLC mines that is still
8 unrecovered.¹⁶ This is in addition to the \$123 million (Total Company) unrecovered
9 net book value associated with the Dolet Hills plant.¹⁷

10 Moreover, the early retirement of Dolet Hills is part of a national strategy of
11 SWEPCO's parent company, American Electric Power (AEP), to retire their coal fleet
12 and build rate base through additional renewable investment.¹⁸ In addition to Dolet
13 Hills, SWEPCO has recently announced that it will retire the Pirkey plant, which had a
14 previous retirement date of 2045, by 2023. The same issues with unrecovered costs
15 that have arisen with Dolet Hills will occur with the Pirkey plant in just two years,
16 including the question of how to handle fixed fuel costs associated with the underlying
17 mine that will be unrecovered upon its earlier-than-expected retirement.¹⁹

¹⁶ *Joint Application of Cleco Power LLC and Southwestern Electric Power Company for: (1) Authorization to Close the Oxbow Mine; (II) Authorization to Include and Defer Certain Accelerated Mine Closing Costs in Fuel and Related Rate Making Treatments; and (III) Expedited Treatment*; Louisiana Public Service Commission Docket No. U-35753, Direct Testimony of Michael A. Baird at 7-8 (Oct. 2020)

¹⁷ Direct Testimony of Michael A. Baird, Exhibit MAB-4.

¹⁸ <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/aep-to-retire-more-than-1-600-mw-of-coal-capacity-61144417>.

¹⁹ The Pirkey plant receives its lignite under a similar structure as the DHLC Lignite Mining Agreement with the Sabine Mining Company.

1 **Q WHAT DO YOU RECOMMEND REGARDING SWEPCO'S PROPOSED**
2 **RATEMAKING TREATMENT OF DOLET HILLS' UNDEPRECIATED PLANT**
3 **BALANCE?**

4 A I recommend that the Commission reject SWEPCO's proposal to offset a portion of
5 the undepreciated balance of Dolet Hills with its EADIT balance and to accelerate
6 recovery of the remaining Dolet Hills costs over four years. The Commission should
7 either treat Dolet Hills as an operational plant or a retired plant. If the Commission
8 chooses to treat it as an operational plant, a reasonable alternative would be to include
9 the plant in base rates in this case, using its current expected retirement date of 2046,
10 and to address any subsequent cost recovery after the plant has been retired. If the
11 Commission treats Dolet Hills as a retired plant, it should remove all costs of Dolet
12 Hills from base rates, and place the unrecovered balance in a regulatory asset,²⁰ to be
13 amortized, without a return, through the previous retirement date of 2046.

14 **Q WHAT ARE THE RATE IMPACTS OF TREATING DOLET HILLS AS EITHER A**
15 **FULLY OPERATIONAL OR COMPLETELY RETIRED PLANT?**

16 A Table 3 on the following page compares the costs to ratepayers using the two
17 alternatives.

²⁰ This assumes that the Commission does not order any disallowances on the unrecovered costs of Dolet Hills.

Table 3 Operational Plant or Retired Plant Rate-making Treatments (\$Millions)		
Description	Operational Plant	Retired Plant
Remaining Plant Balance	\$45.4	\$45.4
Return	3.9	-
Amortization Period (Years)	25	25
Depreciation	1.7	1.7
O&M	4.6	-
Taxes	1.2	-
Revenue Requirement	\$11.4	\$1.7

1 Under either alternative, ratepayers would also receive a \$30.4 million EADIT refund.

Excess Accumulated Deferred Federal Income Taxes

2 **Q DO YOU HAVE ANY RECOMMENDATIONS REGARDING SWEPCO'S EADIT**
3 **BALANCE?**

4 A Yes. The Commission's Order in Docket No. 46449 required that SWEPCO address
5 the refund of its EADIT balance in this proceeding. The EADIT is based on SWEPCO's
6 accumulated deferred income taxes (ADIT). As previously stated, SWEPCO is
7 proposing to use the EADIT balance to accelerate recovery of Dolet Hills. However,
8 the treatment of EADIT should be considered separately from the treatment of Dolet
9 Hills. For reasons explained below, I recommend that SWEPCO refund its EADIT
10 balance to customers over one year and include carrying costs on the balance since
11 2018.

12 **Q WHAT ARE ACCUMULATED DEFERRED INCOME TAXES?**

13 A ADIT are income taxes that SWEPCO has already collected in rates but have not yet

1 been paid to the government. They represent ratepayer-supplied capital; that is,
2 customers have already paid the ADIT in their past electricity bills. Prior to 2018, these
3 future tax expenses were accumulated on the assumption that the corporate federal
4 income tax rate would remain at 35%.

5 **Q WHAT ARE EXCESS ACCUMULATED DEFERRED INCOME TAXES?**

6 A EADIT are the portion of ADIT that SWEPCO will not pay due to the reduction in the
7 corporate federal income tax rate from 35% to 21% that occurred on January 1, 2018.
8 As a result, SWEPCO recorded EADIT as a regulatory liability.

9 **Q WHY DO YOU RECOMMEND THAT SWEPCO REFUND THE EADIT BALANCE?**

10 A The TCJA is an extraordinary once-in-a-generation change in the tax law – the last
11 time a similar tax law change was enacted was in 1986. Among the TCJA's primary
12 objectives is to put money back into customers' pockets to encourage new investment,
13 thereby helping the national economy to grow at a faster pace. EADIT was financed
14 by SWEPCO's customers and those customers are entitled to be fully compensated
15 for the excess income taxes they have previously paid. Furthermore, SWEPCO has
16 already retained its EADIT for over three years. Therefore, its EADIT balance should
17 be promptly refunded to customers, including the accumulated protected amount
18 through March 2021 as well as the full unprotected amount, including carrying costs
19 on both amounts at SWEPCO's regulated return.

20 **Q WHAT IS THE DIFFERENCE BETWEEN PROTECTED AND UNPROTECTED**
21 **EADIT?**

22 A. Protected EADIT is subject to tax normalization requirements, and is, therefore,
23 required to be refunded to ratepayers over the life of the depreciable assets using the

1 average rate assumption method (ARAM). Unprotected EADIT is not subject to tax
2 normalization, and it can be refunded to customers over any period authorized. Thus,
3 unprotected EADIT can be refunded to customers over any period deemed reasonable
4 by the Commission.

5 **Q WHAT PORTION OF SWEPCO'S EADIT IS PROTECTED AND UNPROTECTED?**

6 A The Texas retail portion of SWEPCO's total EADIT is \$30.4 million. Of this amount,
7 \$[REDACTED] is unprotected and \$[REDACTED] is protected.²¹ The protected balance is
8 the amount that has been accumulating since January 1, 2018 through March, 2021.²²

9 **Q DOES YOUR RECOMMENDATION ACCELERATE THE PROTECTED EADIT**
10 **REFUND?**

11 A No. As stated above, the protected balance is the amount that has accumulated since
12 January 1, 2018, through March 2021. My recommendation is to refund the
13 accumulated protected EADIT over one year. The remaining protected EADIT will be
14 refunded in base rates using the ARAM method.

15 **Q ARE YOU AWARE OF ANY OTHER UTILITIES THAT REFUNDED EADIT TO**
16 **THEIR RETAIL CUSTOMERS OVER VERY SHORT TIME PERIODS?**

17 A. Yes. For example, Entergy Arkansas, Inc., refunded \$466 million of
18 unprotected EADIT over a period ranging from 7 to 21 months.²³ Similarly, Gulf Power

²¹ SWEPCO Response to TIEC 1-24, Attachment at Tab: WP MAB-4 ADFIT Values (Confidential).

²² *Id.*

²³ *In the Matter of the Application of Entergy Arkansas, Inc. for a Proposed Tariff Revision Regarding the Request for Approval of a Tax Adjustment Rider to Provide Tax Benefits to its Retail Customers*, Docket No. 18-014-TF, Order No. 2 at 3 (Mar. 27, 2018).

1 Company refunded \$69 million of unprotected EADIT during 2018.²⁴ Entergy Texas
2 refunded \$185.2 million over one year for the portion allocated to certain customer
3 classes.²⁵ AEP Texas refunded \$108 million of EADIT, which includes unprotected
4 EADIT and the accumulated protected EADIT from January 1, 2018, until new rates
5 were in effect. AEP refunded \$76.5 million of EADIT over one year for the portion
6 allocated to certain customer classes and \$31.5 million immediately to other customer
7 classes.²⁶

8 **Q WHAT IS YOUR RECOMMENDATION?**

9 A I recommend that SWEPCO refund its EADIT balance, including both the unprotected
10 EADIT and the accumulated portion of the protected EADIT, over one year. SWEPCO
11 should also include carrying costs, calculated using SWEPCO's regulated rate of
12 return, on the EADIT balance since 2018. Ratepayers are entitled to the accumulated
13 protected EADIT under normalization requirements, and all of the unprotected EADIT,
14 including carrying costs, because SWEPCO has retained those amounts for over three
15 years. SWEPCO should promptly return the EADIT that is owed to customers.

²⁴ *In re: Consideration of the Stipulation and Settlement Agreement between Gulf Power Company, the Office of Public Counsel, Florida Industrial Power Users Group, and Southern Alliance for Clean Energy Regarding the Tax Cuts and Jobs Act of 2017*, Florida Public Service Commission Docket No. 20180039-EI, Final Order Approving Joint Motion to Approve Stipulation and Settlement Agreement at 2 (Apr. 12, 2018)

²⁵ *Entergy Texas, Inc.'s Statement of Intent and Application for Authority to Change Rates*, Docket No. 48371, Order at 10 (Dec. 20, 2018).

²⁶ *Application of AEP Texas Inc. for Authority to Change Rates*, Docket No. 49494, Order at 19 (Apr. 6, 2020).

Self-Insurance Reserve

1 **Q PLEASE DESCRIBE SWEPCO'S REQUEST FOR A SELF-INSURANCE RESERVE.**

2 A SWEPCO is requesting a self-insurance reserve for catastrophic, major storms.
3 SWEPCO states that the cost of private insurance is significantly more expensive than
4 private insurance.²⁷ The company is allowed to request a self-insurance reserve under
5 PURA § 36.064. The reserve would cover expenses for major storms for which
6 incremental expenses exceed \$500,000 for a single event.²⁸ Eligible costs exclude
7 capitalized costs and regular labor expenses.²⁹ The incremental O&M expense
8 associated with major storms will be charged to the reserve account.³⁰

9 **Q WHAT IS THE PROPOSED RATEMAKING TREATMENT OF THE RESERVE?**

10 A A positive balance in the catastrophe reserve would be treated as a reduction to rate
11 base. If the balance is negative, SWEPCO would treat it as a regulatory asset and
12 add it to rate base.

13 **Q WHAT IS THE AMOUNT OF THE PROPOSED SELF-INSURANCE RESERVE?**

14 A The total proposed target self-insurance reserve is \$3.6 million.³¹ SWEPCO is
15 proposing to recover \$890,000 per year over four years to fund the reserve.³² In
16 addition, SWEPCO is proposing to recover \$799,700 annually for storms with costs of

²⁷ Direct Testimony of Gregory S. Wilson at 12.

²⁸ Direct Testimony of Michael A. Baird at 13.

²⁹ *Id.* at 14.

³⁰ *Id.* at 13-14.

³¹ Direct Testimony of Gregory S. Wilson at 4.

³² *Id.*

1 at least \$500,000.³³ The total annual recovery for storm-related costs would be \$1.7
2 million.³⁴

3 **Q WHY IS SWEPCO REQUESTING A SELF-INSURANCE RESERVE?**

4 A SWEPCO states that it is requesting a self-insurance reserve because self-insurance
5 is a lower cost alternative to purchasing commercial insurance. SWEPCO maintains
6 property insurance; however, it states that the policy excludes coverage for
7 transmission and distribution lines, conductors, poles, towers, and attachments,
8 unless within 1,000 feet of a covered facility.³⁵

9 **Q HOW DID SWEPCO DETERMINE THE ANNUAL ACCRUAL AND TARGET**
10 **RESERVE AMOUNTS?**

11 A SWEPCO witness Mr. Wilson conducted a Monte Carlo simulation using historical
12 storm loss costs from 2000 through March 2020. The Monte Carlo simulation is a
13 statistical analysis tool that SWEPCO used to simulate losses over a longer period of
14 time than the time period for the historical storm data. Based on his analysis, Mr.
15 Wilson estimated SWEPCO's average annual indicated transmission and distribution
16 related storm loss for storms with at least \$500,000 in losses is \$799,700. He also
17 estimated the target reserve amount as \$3,560,000, which would be recovered over
18 four years.

19 **Q WHAT ARE SWEPCO'S HISTORICAL STORM LOSSES?**

20 A Table 4 below shows SWEPCO's actual and inflation adjusted storm losses from 2000
21 to March 2020 as provided by Mr. Wilson.

³³ *Id.*

³⁴ *Id.*

³⁵ SWEPCO Response to OPUC 4-3.

Table 4 Inflation Adjusted Historical Storm Losses (\$000)		
Year	Actual	Inflation Adjusted
2000	\$14,638	\$33,924
2004	641.2	1,329
2005	1,544	2,914
2008	2,245	3,146
2010	733	983
2011	891	1,157
2014	815	948
2015	2,463	2,778
2017	3,955	4,244
2019	6,408	6,408
Average	\$1,630	\$2,750
Source: Exhibit GSW-3.		

1 For brevity I have included data only for the years in which a storm occurred. The
2 average, however, represents the 21 year average. As shown above, the inflation
3 adjusted 2000 storm costs are over 5 times higher than those of the next largest storm
4 year (2019).

5 **Q ARE THE STORM COSTS SHOWN FOR 2000 AND 2004 ACTUAL STORM**
6 **COSTS?**

7 **A** No. When asked to provide details regarding the 2000 storm, SWEPCO referred to
8 Mr. Wilson's direct testimony filed in Docket No. 37364.³⁶ In that testimony, Mr. Wilson
9 indicated: "The Company does not have detailed data for storm damage going back

³⁶ SWEPCO Response to OPUC 4-4.

1 as far as 2000. They only have the total amount paid, not broken out by storm.”³⁷ Mr.
2 Wilson also indicated that the storm expense for 2004 was also an estimate.³⁸
3 Therefore, the estimated storm costs for 2000 and 2004 represent the total cost paid
4 for all storms in those years and are not indicative of the cost for a single storm event
5 that exceeded \$500,000.

6 **Q WHAT IS THE AVERAGE STORM COST EXCLUDING 2000-2004?**

7 A Excluding the data from 2000-2004 decreases the average significantly. The actual
8 average decreases by \$440,000, to \$1,190,000, and the inflated average decreases
9 by \$1,340,000, to \$1,410,000.

10 **Q DOES THE INCLUSION OF THE 2000 AND 2004 STORM COSTS SKEW MR.**
11 **WILSON’S MONTE CARLO RESULTS?**

12 A Yes. Including the total storm costs for 2000 and 2004 increases the expected annual
13 cost for storms with at least \$500,000 in damages, as well as the target self-insurance
14 reserve amount.

15 **Q HAVE YOU QUANTIFIED THE IMPACT OF REMOVING THE 2000 AND 2004**
16 **STORM DATA FOR THE ESTIMATED ANNUAL STORM COST AND TARGET**
17 **RESERVE AMOUNT?**

18 A Yes. Using Mr. Wilson’s Monte Carlo simulation model, I calculated the annual storm
19 loss and target reserve amount excluding the 2000 and 2004 storm costs. Table 5
20 provides the results.

³⁷ Docket No 37364, *Direct Testimony of Gregory S. Wilson* at 13 (Aug. 28, 2009).

³⁸ *Id.*

Table 5 Annual Storm Cost and Target Reserve Amount		
Description	SWEPCO	TIEC
Average Annual Accrual	\$799,700	\$575,000
Target Reserve Amount	\$3,560,000	\$2,722,000
Source: Exhibit BSL-1; Direct Testimony of Gregory S. Wilson at 4.		

1 Excluding the estimated storm costs from 2000 and 2004 reduces the average annual
2 accrual by \$224,700, and the target reserve amount by \$838,000. The annual accrual
3 for the target reserve is \$680,500 (\$2,722,000 divided by four years). Therefore, the
4 total annual storm cost accrual is \$1,255,500. **Exhibit BSL-1** provides the detailed
5 results of the Monte Carlo simulation.

6 **Q WHAT DO YOU RECOMMEND?**

7 A If the Commission approves a self-insurance reserve, I recommend a target reserve
8 amount of \$2,722,000 and a \$575,000 annual accrual for storms with at least \$500,000
9 in damages. SWEPCO's annual storm accrual should be reduced by \$434,200
10 (\$1,689,700 less \$1,255,500). The revised storm cost accrual is based on actual
11 historical storm data and excludes the estimated storm costs for 2000 and 2004.

Imputed Capacity

12 **Q WHAT IS IMPUTED CAPACITY?**

13 A Imputed capacity is the capacity value of a resource acquired under a purchase power
14 agreement (PPA) that does not have an explicit capacity or demand charge. It
15 recognizes that some power purchases provide both capacity and energy to
16 SWEPCO, even though the payments made to acquire these resources may be based
17 entirely on a kilowatt-hour charge.

1 **Q CAN YOU PROVIDE AN EXAMPLE OF AN IMPUTED CAPACITY RESOURCE?**

2 A Yes. Imputed capacity resources include renewable energy resources that provide
3 accredited capacity.

4 **Q WHAT DO YOU MEAN BY ACCREDITED CAPACITY?**

5 A Renewable energy resources, such as wind farms and solar plants, operate only when
6 the wind blows or the sun shines. Unlike thermal generating resources, wind and solar
7 facilities cannot generate their nameplate rating on a 24-7 basis. This does not,
8 however, mean that these resources cannot provide capacity. In fact, SPP will accredit
9 the operation of renewable resources and determine the amount of capacity that can
10 be used to satisfy each load serving entity's resource obligation.³⁹ This assignment of
11 capacity is referred to as accredited capacity. The accredited capacity reflects the
12 amount of capacity that SWEPCO can include in meeting SPP's minimum planning
13 reserve margin.

14 **Q DOES SWEPCO PURCHASE POWER FROM ACCREDITED WIND GENERATING**
15 **RESOURCES?**

16 A Yes. During the test year SWEPCO purchased power from four wind projects having
17 a total nameplate capacity of 470 MW.⁴⁰ Of this amount, SPP has accredited ■ MW
18 of firm capacity.⁴¹

³⁹ SPP Planning Criteria, Revision 2.3, Section 7.1.2(9)(10) (Jan. 11, 2021).

⁴⁰ SWEPCO Response to CARD 1-12, Attachment 1 at 50.

⁴¹ SWEPCO Response to TIEC 9-1 (Confidential).

1 **Q DOES SWEPCO RECOGNIZE THE ACCREDITED CAPACITY PROVIDED BY ITS**
2 **PURCHASES FROM VARIOUS WIND GENERATING PLANTS?**

3 A Yes. The accredited capacity of SWEPCO's wind purchases is counted in determining
4 whether SWEPCO satisfies SPP's minimum capacity requirement. Specifically, SPP
5 requires each load serving entity to maintain a minimum 12% reserve margin.

6 **Q WHY IS IT APPROPRIATE TO QUANTIFY THE AMOUNT OF IMPUTED**
7 **CAPACITY?**

8 A Capacity or demand-related costs are not eligible fuel expenses. Accordingly, it is
9 appropriate to impute capacity-related costs associated with renewable generating
10 resources so that these costs can be properly recovered in base rates (similar to all
11 other capacity-related costs) and not in the fuel factor. It is incorrect to assume that a
12 PPA provides only energy just because the underlying agreement does not include a
13 demand or capacity charge. If a PPA resource counts as accredited capacity, it should
14 be recognized in rates regardless of the underlying commercial arrangement. When
15 a PPA does not contain an explicit capacity charge, but provides accredited capacity,
16 then imputed capacity should be quantified.

17 **Q IS IMPUTING CAPACITY AN ACCEPTED PRACTICE?**

18 A Yes. The Commission has disallowed imputed capacity costs in several fuel
19 reconciliation cases, requiring that those costs be recovered through base rates.⁴² El
20 Paso Electric Company (EPE) imputed capacity associated with two solar PPAs.

⁴² See, e.g., *Joint Application of Texas Genco, LP and CenterPoint Energy Houston Electric, LLC to Reconcile Eligible Fuel Revenues and Expenses Pursuant to SUBST. R. 25.236*, Docket No. 26195, Order at 7-8 (May 28, 2004); *Application of Central Power and Light for Authority to Reconcile Fuel Costs*, Docket No. 27035, Order on Rehearing at 5-6 (Jun. 3, 2005); *Application Of Entergy Gulf States, Inc. for Authority to Reconcile Fuel Costs*, Docket No. 29408 Order at 14-15 (April 5, 2005).

1 **Exhibit BSL-2** is an excerpt from the Direct Testimony of David C. Hawkins, which
2 was filed by EPE in Docket No. 44941. It lays out the logic and methodology for
3 identifying and quantifying the amount of imputed capacity costs associated with
4 EPE's solar PPAs.

5 **Q DID SWEPCO PROVIDE THE VALUE OF THE IMPUTED COSTS FOR ITS WIND**
6 **PPAS?**

7 **A No.** TIEC requested the information from SWEPCO, however, SWEPCO indicated it
8 had not quantified any imputed capacity costs.⁴³

9 **Q HAVE YOU QUANTIFIED THE AMOUNT OF IMPUTED CAPACITY COSTS FOR**
10 **THOSE SWEPCO RENEWABLE RESOURCES THAT SERVE TEXAS RETAIL**
11 **CUSTOMERS DURING THE RECONCILIATION PERIOD?**

12 **A Yes.** **Exhibit BSL-3** quantifies the imputed capacity costs associated with
13 SWEPCO's wind PPAs in effect during the test-year period for April 2019 through
14 March 2020 that received capacity accreditation from SPP. The quantification
15 generally follows the same approach as EPE used in quantifying the imputed capacity
16 of its solar PPAs as described in **Exhibit BSL-2**.

17 Specifically, I used the avoided cost of capacity pursuant to 16 T.A.C. § 25.181,
18 which is \$80 per kW-Year or \$6.67 per kW-month (line 1). This is the avoided cost
19 used by utilities to measure the benefits of energy efficiency programs, which are then
20 used to derive the performance bonus. In addition, I estimated that SWEPCO incurs
21 approximately \$0.09 per kW-month for ancillary services to support these renewable
22 resources (line 2). Removing the ancillary services from the avoided capacity costs

⁴³ SWEPCO Response to TIEC 9-2.

1 results in a final imputed capacity charge of \$6.58 per kW-month (line 3).

2 The amount of accredited capacity during the reconciliation period is ■ MW-
3 month (line 5). It is the product of the average accredited capacity for the test year,
4 ■ MW, and 12, which is the number of months in the test year.

5 Applying the \$6.58 per kW-month of imputed capacity charge to SWEPCO's
6 accredited renewable capacity of ■ MW-months (line 5) results in \$■ (line
7 6) of imputed capacity cost on a total company basis for the reconciliation period.
8 During the reconciliation period, approximately 36.928% of these costs were allocated
9 to Texas retail customers (line 7). Thus, the Texas retail portion of the imputed
10 capacity costs would be \$■ (line 8) during the reconciliation period.

11 **Q WHAT DO YOU RECOMMEND?**

12 A Imputed capacity costs should be recovered in base rates, the same as SWEPCO's
13 other production capacity costs. The amount of the imputed capacity to be recovered
14 in base rates is \$■. If imputed capacity costs are added to base rates, the
15 same amount of imputed capacity costs should be removed from SWEPCO's fuel
16 costs beginning on the effective date of rates in this case.

Conclusion

17 **Q WHAT FINDINGS SHOULD THE COMMISSION MAKE?**

18 A The Commission should make the following findings:

- 19 • Reject SWEPCO's proposal to use EADIT to offset a portion of the
20 undepreciated balance of Dolet Hills and to accelerate recovery of the
21 remaining undepreciated plant balance of Dolet Hills in this proceeding.
- 22 • If the Commission treats Dolet Hills as an operational plant in this
23 proceeding, it should keep Dolet Hills in rate base and maintain the
24 previous useful life based on a 2046 retirement date.

- 1 • If the Commission decides to address the retirement of Dolet Hills in
2 this proceeding:
- 3 ○ All test year costs should be removed.
- 4 ○ The remaining plant balance should be amortized through 2046
5 without a return.
- 6 • Reduce SWEPCO's self-insurance target reserve to \$2.7 million and
7 the annual storm accrual to \$1.3 million.
- 8 • Impute \$[REDACTED] of capacity costs associated with SWEPCO's
9 ongoing wind PPAs in base rates beginning on the effective date of
10 rates in this case.

11 **Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

12 **A Yes.**

APPENDIX A
Qualifications of Billie S. LaConte

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A Billie S. LaConte. My business mailing address is 12647 Olive Blvd., Suite 585, St.
3 Louis, Missouri 63141.

4 **Q WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?**

5 A I am an energy advisor and am currently employed by J. Pollock, Incorporated as an
6 Associate.

7 **Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

8 A I have a Bachelor of Arts Degree in Mathematics from Boston University and a
9 Master's degree in Business Administration from Washington University.

10 Upon graduation in May 1995, I joined Drazen Consulting Group, Inc. (DCGI).
11 DCGI was incorporated in 1995 assuming the utility rate and economic consulting
12 activities of Drazen Associates, Inc., active since 1937. I joined J.Pollock in May 2015.

13 During my tenure at DCGI and J.Pollock my work has focused on revenue
14 requirement issues, cost of capital (return on equity and capital structure), cost
15 allocation, rate design, sales and price forecasts, power cost forecasting, electric
16 restructuring issues, integrated resource plans, formula rate plans, asset management
17 agreements and contract interpretation.

18 I have been engaged in a wide range of consulting assignments including
19 energy and regulatory matters in both the United States and several Canadian
20 provinces. This has included advising clients on economic and strategic issues
21 concerning the natural gas pipeline, oil pipeline, electric, wastewater and water
22 utilities. I have prepared cost allocation and rate design studies to provide timely

Appendix A

1 support to clients engaged in settlement negotiations in electric and gas utilities,
2 provided power cost forecasting studies to assist clients in project planning and
3 negotiated contracts with electric utilities for standby services and interruptible rates.
4 I have also prepared studies on electric and gas utilities' performance-based rates
5 (PBR) and benchmarking programs to evaluate their success and to provide
6 recommendations on methods to be used. I worked on contract interpretation to
7 resolve contract disputes for several clients. I have provided financial and cost of
8 service analysis for natural gas pipelines certificate approval from the Federal Energy
9 and Regulatory Commission (FERC) and the Canadian National Energy Board (NEB).
10 Additionally, I completed the Corporate Credit Rating Analysis course presented by
11 Moody's Analytics.

12 I have worked on various projects located in many states and several Canadian
13 provinces including Alberta, British Columbia, Saskatchewan, Nova Scotia and
14 Quebec. I have testified before the state regulatory commissions of Arkansas,
15 Georgia, Iowa, Louisiana, Michigan, Minnesota, Missouri, New Mexico, Pennsylvania,
16 Texas and South Carolina, and the provincial regulatory boards of Alberta and Nova
17 Scotia. I similarly have appeared before the St. Louis Metropolitan Sewer District
18 Commission.

19 **Q PLEASE DESCRIBE J. POLLOCK, INCORPORATED.**

20 A J. Pollock assists clients to procure and manage energy in both regulated and
21 competitive markets. The J. Pollock team also advises clients on energy and
22 regulatory issues. Our clients include commercial, industrial and institutional energy
23 consumers. J. Pollock is a registered Class I aggregator in the State of Texas.

APPENDIX B
Testimony Filed in Regulatory Proceedings
by Billie S. LaConte

UTILITY	ON BEHALF OF	DOCKET	TYPE	REGULATORY JURISDICTION	SUBJECT	DATE
SHARYLAND UTILITIES, L L C	Texas Industrial Energy Consumers	51611	Direct	TX	Rate-Case Expenses, Operation and Maintenance Expense, Transmission Cost of Service Refund Rider	3/8/2021
PECO ENERGY COMPANY	Philadelphia Area Industrial Energy Users Group	2020-3018929	Surrebuttal	PA	Revenue Allocation, Rate Design	2/9/2021
PECO ENERGY COMPANY	Philadelphia Area Industrial Energy Users Group	2020-3018929	Rebuttal	PA	Allocation of Distribution Mains, Revenue Allocation, Rate Design, Universal Service Fund Charge	1/19/2021
PECO ENERGY COMPANY	Philadelphia Area Industrial Energy Users Group	2020-3018929	Direct	PA	Class Cost-of-Service Study, Class Revenue Allocation	12/22/2020
ENTERGY ARKANSAS, LLC	Arkansas Electric Energy Consumers, Inc	16-036-FR	Surrebuttal (FRP Extension)	AR	FRP Extension, Return on Equity, Capital Structure, Class Cost-of-Service Study, Industrial Rate Design	11/17/2020
PENNSYLVANIA-AMERICAN WATER COMPANY	Pennsylvania-American Large Water Users Group	2020-3019369 2020-3019371	Surrebuttal	PA	Rate Design, Regionalization and Consolidation Surcharge, Return on Equity	10/20/2020
ENTERGY ARKANSAS, LLC	Arkansas Electric Energy Consumers, Inc	16-036-FR	Direct (FRP Extension)	AR	FRP Extension, Return on Equity, Capital Structure, Class Cost-of-Service Study, Industrial Rate Design	10/19/2020
ENTERGY ARKANSAS, LLC	Arkansas Electric Energy Consumers, Inc	16-036-FR	Direct (2020 Eval Report)	AR	Historical Year Netting Adjustment, Long-Term Debt Costs	10/5/2020
PENNSYLVANIA-AMERICAN WATER COMPANY	Pennsylvania-American Large Water Users Group	2020-3019369 2020-3019371	Rebuttal	PA	Rate Design	9/29/2020
PENNSYLVANIA-AMERICAN WATER COMPANY	Pennsylvania-American Large Water Users Group	2020-3019369 2020-3019371	Direct	PA	Regionalization and Consolidation Surcharges, Commercial Rate Design	9/8/2020
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-20697	Rebuttal	MI	Financial Compensation Mechanism, Deferred Capital Spending Recovery Mechanism, Karn 1 & 2 Retention and Separation costs, return on equity, storm restoration deferral, PowerMIFleet Pilot Foundational Infrastructure Program, Conservation Voltage Reduction	7/14/2020
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc	17-010-FR	Direct	AR	Projected Year Capital Expenditures, Capitalization Policy, Projected Year Adjustments	7/2/2020
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-20697	Direct	MI	Return on Equity, Capital Structure, Debt Cost, Additional Surcharges and Deferred Regulatory Accounts	6/24/2020
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-20650	Rebuttal	MI	Return on Equity, Statistical Analysis of Distribution Mains Allocation	5/5/2020
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-20650	Direct	MI	Return on Equity, Capital Structure, Long-Term Debt Cost	4/14/2020
DTE GAS COMPANY	Association of Businesses Advocating Tariff Equity	U-20642	Rebuttal	MI	Return on Equity	4/14/2020
DTE GAS COMPANY	Association of Businesses Advocating Tariff Equity	U-20642	Direct	MI	Return on Equity, Operation and Maintenance Expenses	3/24/2020
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-20618	Direct	MI	Certificate of Convenience and Necessity	1/17/2020
ENTERGY ARKANSAS, LLC	Arkansas Electric Energy Consumers, Inc	16-036-FR	Settlement Support	AR	Support of Settlement	10/30/2019
GEORGIA POWER COMPANY	Georgia Association of Manufacturers and Georgia Industrial Group	42516	Direct	GA	Alternate Rate Plan, Coal Combustion Residual Cost Recovery, Amortization of Retired Plant	10/17/2019
ENTERGY ARKANSAS, LLC	Arkansas Electric Energy Consumers, Inc	16-036-FR	Direct	AR	Tax Cuts and Jobs Act Impact, Projected Year Revenues, Projected Year BRORB, Grid Modernization, Advanced Metering Infrastructure Expense	10/4/2019
SOUTHWESTERN ELECTRIC POWER COMPANY	Western Arkansas Large Energy Consumers	19-008-U	Surrebuttal	AR	SWEPCO's Formula Rate Review, Energy Cost Recovery Rider, Distribution Reliability Rider	9/24/2019

APPENDIX B
Testimony Filed in Regulatory Proceedings
by Billie S. LaConte

UTILITY	ON BEHALF OF	DOCKET	TYPE	REGULATORY JURISDICTION	SUBJECT	DATE
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc	17-010-FR	Settlement Support	AR	Support of Settlement	7/31/2019
SOUTHWESTERN ELECTRIC POWER COMPANY	Western Arkansas Large Energy Consumers	19-008-U	Direct	AR	SWEPCO's Formula Rate Review, Capital Structure, Distribution Reliability Rider, Arkansas Formula Rate Plans	7/16/2019
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc	17-010-FR	Direct	AR	Formula Rate Plan, Capital Additions, Operation and Maintenance Expenses	7/2/2019
ENTERGY LOUISIANA, LLC	Occidental Chemical Corporation	U-35130	Cross-Answering	LA	Fuel Tracking Mechanism	7/1/2019
CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC	Texas Industrial Energy Consumers	49421	Direct	TX	Unprotected Excess Deferred Income Tax Rider, Incentive Compensation	6/6/2019
ENTERGY LOUISIANA, LLC	Occidental Chemical Corporation	U-35130	Direct	LA	Fuel Tracking Mechanism	5/10/2019
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-20322	Rebuttal	MI	Return on Equity	4/29/2019
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc	18-057	Supplemental Surrebuttal	AR	Gas Distribution Upstream Services Contracting Process	4/23/2019
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc	18-057	Surrebuttal	AR	Gas Distribution Upstream Services Contracting Process	4/12/2019
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-20322	Direct	MI	Return on Equity, Capital Structure, Project vs Historical Test Year, Earnings Sharing Mechanism	4/5/2019
DUKE ENERGY PROGRESS, LLC	Nucor Steel - South Carolina	2018-318-E	Direct	SC	Excess Deferred Income Tax Rider, Post-Test Year Adjustments, Coal Ash Pond Closure Expense; End-of-Life Nuclear Costs, Regulatory Assets, Return on Equity and Equity Ratio	3/4/2019
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc	18-057	Direct	AR	Gas Distribution Upstream Services Contracting Process	2/12/2019
ENTERGY ARKANSAS, INC	Arkansas Electric Energy Consumers, Inc	16-036-FR	Settlement Support	AR	Support of Settlement	10/30/2018
ENTERGY ARKANSAS, INC	Arkansas Electric Energy Consumers, Inc	16-036-FR	Direct	AR	Formula Rate Plan Tariff, Long-Term Debt Cost and Preferred Equity, Projected Year Capital Additions, Historical Year Capital Additions	10/4/2018
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-20134	Rebuttal	MI	Return on Equity	10/1/2018
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-20134	Direct	MI	Return on Equity, Capital Structure and Long-Term Debt Cost, Investment Recovery Mechanism Excess Sharing Mechanism	9/10/2018
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc	17-010-FR	Opposition	AR	Opposition to Settlement Agreement	8/3/2018
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc	17-010-FR	Direct	AR	Impact of Tax Cuts and Jobs Act of 2017, Forecast Revenues, Uncollectible Expense, Pipeline Integrity Assessment and Remediation Expense	7/2/2018
ENTERGY ARKANSAS, INC	Arkansas Electric Energy Consumers, Inc	17-052	Surrebuttal	AR	Utility Restructuring Costs and Tax Effects	5/31/2018
PUBLIC SERVICE COMPANY OF NEW MEXICO	City of Farmington, New Mexico, Board of County Commissioners for San Juan County	17-00174	Direct	NM	Integrated Resource Plan, Future of San Juan Generation Station	5/4/2018
ENTERGY ARKANSAS, INC and CENTERPOINT ENERGY ARKANSAS GAS	Arkansas Electric Energy Consumers, Inc and Arkansas Gas Consumers, Inc	18-006	Direct	AR	Effect on Revenue Requirement due to 2017 Tax Cuts and Jobs Act	3/29/2018
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U18424	Rebuttal	MI	Rate of Return	3/21/2018

APPENDIX B
Testimony Filed in Regulatory Proceedings
by Billie S. LaConte

UTILITY	ON BEHALF OF	DOCKET	TYPE	REGULATORY JURISDICTION	SUBJECT	DATE
ENTERGY ARKANSAS, INC	Arkansas Electric Energy Consumers, Inc	18-014-TF	Direct	AR	Impact of Tax Cuts and Jobs Act of 2017 and Tax Adjustment Rider	3/19/2018
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-18424	Direct	MI	Rate of Return, Capital Structure	2/28/2018
CENTERPOINT ENERGY ARKANSAS GAS	Arkansas Gas Consumers, Inc	17-050-U	Surrebuttal	AR	Asset Management Agreement Proposal	1/12/2018
CENTERPOINT ENERGY ARKANSAS GAS	Arkansas Gas Consumers, Inc	17-050-U	Direct	AR	Asset Management Agreement Proposal	12/8/2017
ENTERGY ARKANSAS, INC	Arkansas Electric Energy Consumers, Inc	16-036-FR	Settlement Support	AR	Support of Settlement	10/31/2017
ENTERGY ARKANSAS, INC	Arkansas Electric Energy Consumers, Inc	16-036-FR	Direct	AR	Forecast Revenues, Cost of Debt, Revenue Requirement and Capital Additions	10/4/2017
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-18322	Rebuttal	MI	Return on Equity	9/7/2017
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-18322	Direct	MI	Return on Equity, Capital Structure	8/10/2017
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc	17-010-FR	Settlement Support	AR	Support of Settlement	7/31/2017
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc	17-010-FR	Direct	AR	Rate of Return, Capital Structure, Labor Expense	7/3/2017
ENTERGY ARKANSAS, INC	Arkansas Electric Energy Consumers, Inc	16-036-FR	Settlement Support	AR	Support of Settlement	10/24/2016
ENTERGY ARKANSAS, INC	Arkansas Electric Energy Consumers, Inc	16-036-FR	Direct	AR	Rate of Return, Forecast Revenue, Capitalization	9/30/2016
METROPOLITAN EDISON COMPANY, PENNSYLVANIA ELECTRIC COMPANY AND WEST PENN POWER	MEIUG, PICA and WPPil	2016-2537349, 2016-2537352, 2016-2537359	Surrebuttal	PA	Return on Equity	8/31/2016
METROPOLITAN EDISON COMPANY, PENNSYLVANIA ELECTRIC COMPANY AND WEST PENN POWER	MEIUG, PICA and WPPil	2016-2537349, 2016-2537352, 2016-2537359	Direct	PA	Return on Equity	7/22/2016
NORTHERN STATES POWER	Xcel Large Industrials	15-826	Direct	MN	Return on Equity, Multi-Year Rate Plan	6/14/2016
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Electric Energy Consumers, Inc	15-098-U	Surrebuttal	AR	Return on Equity, Formula Rate Plan, Capital Structure	6/7/2016
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Electric Energy Consumers, Inc	15-098-U	Direct	AR	Return on Equity, Capital Structure	4/14/2016
MISSOURI-AMERICAN WATER COMPANY	BJC Healthcare	WR-2011-0337	Rebuttal	MO	Return on Equity	1/19/2012
MISSOURI-AMERICAN WATER COMPANY	BJC Healthcare	WR-2011-0337	Direct	MO	Return on Equity	11/17/2011
METROPOLITAN ST LOUIS SEWER DISTRICT	Barnes-Jewish Hospital	N/A	Supplemental	MO	Rate Model	9/16/2011
METROPOLITAN ST LOUIS SEWER DISTRICT	Barnes-Jewish Hospital	N/A	Surrebuttal	MO	Rate Increase, CIRP, Consent Decree	8/19/2011
METROPOLITAN ST LOUIS SEWER DISTRICT	Barnes-Jewish Hospital	N/A	Rebuttal	MO	Rate Increase, CIRP, Consent Decree	7/18/2011
AMEREN UE	Missouri Energy Group	ER-2011-0028	Surrebuttal	MO	Return on Equity, Energy Efficiency Cost Recovery	4/15/2011
AMEREN UE	Missouri Energy Group	ER-2011-0028	Rebuttal	MO	Return on Equity, Energy Efficiency Cost Recovery	3/25/2011
AMEREN UE	Missouri Energy Group	ER-2011-0028	Direct	MO	Return on Equity	2/8/2011

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UTILITY	ON BEHALF OF	DOCKET	TYPE	REGULATORY JURISDICTION	SUBJECT	DATE
AMEREN UE	Missouri Energy Group	EO-2010-0255	Direct	MO	Prudence Audit of FAC Periods 1 and 2	11/22/2010
ENTERGY ARKANSAS, INC	Arkansas Electric Energy Consumers, Inc	09-084-U	Direct - In Support	AR	Supporting the Proposed Settlement Agreement	5/11/2010
ENTERGY ARKANSAS, INC	Arkansas Electric Energy Consumers, Inc	09-084-U	Surrebuttal	AR	Return on Equity	4/14/2010
ENTERGY ARKANSAS, INC	Arkansas Electric Energy Consumers, Inc	09-084-U	Direct	AR	Return on Equity	2/26/2010
AMEREN UE	Missouri Energy Group	ER-2010-0036	Direct	MO	Energy Efficiency Costs	12/18/2009
AMEREN UE	Missouri Energy Group	ER-2008-0318	Surrebuttal	MO	Return on Equity	11/5/2008
AMEREN UE	Missouri Energy Group	ER-2008-0318	Direct	MO	Return on Equity, Off-System Sales	8/28/2008
METROPOLITAN ST LOUIS SEWER DISTRICT	Missouri Energy Group	N/A	Rebuttal	MO	Long-Term Financial Plan, Capital Financing	5/2/2007
AMEREN UE	Missouri Energy Group	ER-2007-0002	Surrebuttal	MO	Return on Equity, Interruptible Demand, Response Pilot	2/27/2007
AMEREN UE	Missouri Energy Group	ER-2007-0002	Direct	MO	Interruptible Rate	12/29/2006
AMEREN UE	Missouri Energy Group	ER-2007-0002	Direct	MO	Return on Equity, Off-System Sales, Sharing Mechanism, 10% Cap on Residential	12/15/2006
AMEREN UE	Missouri Energy Group	EA-2005-0180	Rebuttal	MO	Economic Analysis	1/31/2005
NOVA SCOTIA POWER INC	Avon Valley Greenhouses	NSUAR-B-P-881	Direct	NS	Cost of Capital	10/12/2004
MISSOURI-AMERICAN WATER COMPANY	Missouri Energy Group	WR-2003-0500	Surrebuttal	MO	Working Capital, Return on Equity, Cost Allocation	12/5/2003
MISSOURI-AMERICAN WATER COMPANY	Missouri Energy Group	WR-2003-0500	Rebuttal	MO	Rate Design	11/10/2003
MISSOURI-AMERICAN WATER COMPANY	Missouri Energy Group	WR-2003-0500	Direct	MO	Return on Equity, Acquisition Adjustment, Cash Working Capital	10/3/2003
METROPOLITAN ST LOUIS SEWER DISTRICT	Missouri Energy Group	N/A	Direct	MO	Revenue Requirement, Financial Planning	4/22/2003
INTERSTATE POWER AND LIGHT COMPANY	Lee County Energy Users Group- Direct	RPU-02-3	Surrebuttal	IA	Revenue Requirement, Return on Equity	9/19/2002
METROPOLITAN ST LOUIS SEWER DISTRICT	Missouri Energy Group	N/A	Surrebuttal	MO	Revenue Requirement, Capital Financing	8/13/2002
METROPOLITAN ST LOUIS SEWER DISTRICT	Missouri Energy Group	N/A	Surrebuttal	MO	Revenue Requirement, Capital Financing, Cost Allocation	7/28/2002
INTERSTATE POWER AND LIGHT COMPANY	Lee County Energy Users Group- Direct	RPU-02-3	Direct	IA	Revenue Requirement, Return on Equity	7/26/2002
METROPOLITAN ST LOUIS SEWER DISTRICT	Missouri Energy Group	N/A	Rebuttal	MO	Revenue Requirement, Capital Financing	7/10/2002

SOUTHWESTERN ELECTRIC POWER COMPANY
Monte Carlo Simulation of
Historic Actual Storm Costs
2005-2020

Line	Description	Average Annual Accrual	Indicated Reserve Size
		(1)	(2)
1	Simulation 1	579,833	2,730,579
2	Simulation 2	575,385	2,724,982
3	Simulation 3	575,221	2,731,930
4	Simulation 4	568,186	2,707,869
5	Simulation 5	572,720	2,730,928
6	Simulation 6	577,244	2,722,634
7	Simulation 7	577,115	2,699,564
8	Simulation 8	573,730	2,723,347
9	Simulation 9	575,298	2,720,304
10	Simulation 10	578,080	2,728,995
11	Average	575,281	2,722,113

DOCKET NO. 44941

APPLICATION OF EL PASO ELECTRIC COMPANY TO CHANGE RATES	§ §	PUBLIC UTILITY COMMISSION OF TEXAS
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DIRECT TESTIMONY
OF
DAVID C. HAWKINS
FOR
EL PASO ELECTRIC COMPANY

AUGUST 2015

1 methodology, or even a requirement, to impute capacity to a resource that is
2 intermittent in its output. As such, EPE is using a lower imputed capacity charge to
3 reflect the appropriate level of dependable output that EPE can rely on to meet its
4 jurisdictional load requirements. Additionally, the providers for each PPA have no
5 obligation to produce energy to meet EPE's peak load requirements. The obligations
6 of the providers are limited to an annual minimum total energy output.

7
8 Q. WHY WOULDN'T EPE USE AN IMPUTED CAPACITY CHARGE THAT
9 CORRELATES TO THE EXPECTED RESOURCE OUTPUT USED IN ITS L&R?

10 A. EPE uses an expected capacity factor of 70 percent for solar resources in its L&R.
11 This value is approximate to output verified by EPE over its peak load hour.
12 However, this capacity factor is representative of a solar facility's output at one
13 specific hour of the year. There are other periods of the year in which EPE's monthly
14 peak load occurs at night and the output from solar facilities produce 0 MW. The
15 Solar PPAs are long term agreements, and the capacity associated with these
16 agreements is not comparable to a summer-only PPA or any firm energy agreement.

17 Intermittent generation requires additional ancillary services to maintain a
18 stable electric grid. These ancillary services include regulation and operating and
19 supplemental reserves that should be deducted from any imputed capacity value.
20 For these reasons, the imputed capacity charge does not correlate to the expected
21 capacity factor.

22
23 Q. HOW DID EPE CALCULATE THE IMPUTED CAPACITY RATES FOR THE SOLAR
24 PPAs?

25 A. EPE adjusted the imputed capacity charges to reflect the additional ancillary services
26 attributable to an intermittent resource. This adjustment is based on the

1 FERC-accepted ancillary service rates within EPE's Open Access Transmission
2 Tariff ("OATT"). Additionally, EPE made adjustments to reflect the expected energy
3 output associated with the Solar PPAs.

4
5 Q. WHAT WAS THE IMPUTED CAPACITY CHARGE AFTER ADJUSTING FOR
6 ANCILLARY SERVICE REQUIREMENTS?

7 A. The imputed capacity charge was \$7.08/kW/month after adjusting for the associated
8 ancillary service schedules found in EPE's OATT. The applicable schedules are
9 Schedule 3 (Regulation and Frequency Response), Schedule 5 (Operating
10 Reserve-Spinning Reserve Service), and Schedule 6 (Operating
11 Reserve-Supplemental Reserve Service). The rate for each of these schedules is
12 \$3.10/kW/month. Schedule 3 requires 0.87 percent of rated MW obligation, and
13 Schedules 5 and 6 each requires 3.5 percent of rated MW obligation. Adjusting the
14 WSPP rate of \$7.32/kW/month, by the combined Schedules 3, 5, and 6 obligations of
15 7.87 percent (0.87% + 3.50% + 3.50%), multiplied by the rate of \$3.10/kW/month, the
16 "net capacity rate" is \$7.08/kW/month ($\$7.32/\text{kW-Mo.} - (.0787 \times \$3.10/\text{kW/month})$).

17
18 Q. WHAT WERE THE FINAL IMPUTED CAPACITY CHARGES AFTER ADJUSTING
19 FOR THE EXPECTED ENERGY OUTPUT?

20 A. Both Solar PPAs have committed energy output levels and expected energy output
21 levels. EPE's analysis of both Solar PPAs assumed the energy output to be
22 in-between the committed value and the expected value. EPE assumed a
23 29 percent energy output level for Macho Springs and a 27 percent energy output
24 level for the Newman Solar facility. The final imputed capacity charges are the
25 products of the "net capacity rate" and the assumed energy output percentages. For
26 the Macho Springs facility, the imputed capacity charge is \$2.05/kW-month. The

1 imputed capacity charge for the Newman Solar facility is \$1.91/kW-month. EPE
2 witness Jennifer Borden discusses the total dollar amount in imputed capacity
3 charges for each facility.

4

5 Q. DO YOU BELIEVE THIS IS PRUDENT VALUATION OF THE CAPACITY
6 COMPONENT OF THE SOLAR PPAs?

7 A. Yes, I do. Renewable resources such as those in the Solar PPAs require EPE's
8 local generation to respond to the intermittency of such resources. Although energy
9 is expected from the Solar PPAs during the summer peak load hours, the output
10 from Solar PPAs is weather dependent and not guaranteed (for example, a storm in
11 Deming, New Mexico, will reduce the output of the Macho Springs facility, while
12 El Paso may be experiencing clear skies and a temperature of 100 degrees). The
13 primary value from the Solar PPAs is from the fuel that is saved while these
14 resources are producing energy, not from capacity that can be utilized to respond to
15 system contingencies. Therefore, I believe the imputed capacity charges as
16 determined recognize the Solar PPAs contribution to EPE's planning reserves, while
17 at the same time recognizing these resources are primarily energy resources given
18 their intermittency and contribution to serving loads throughout all hours of the year.

19

20 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

21 A. Yes, it does.

SOUTHWESTERN ELECTRIC POWER COMPANY
Imputed Capacity Costs
Associated with Accredited Wind Generation
April 2019 through March 2020

Line	Description	Total Amount (1)	Unit (2)	Source (3)
1	Avoided Capacity Cost	\$6 67	\$ / kW-Mo	16 TAC § 25 181
2	Less: Ancillary Service Costs	<u>\$0.09</u>	\$ / kW-Mo	Exhibit BSL-3, Page 2
3	Net Capacity Cost	\$6 58	\$ / kW-Mo	L1 - L2
4	Wind PPA Namplate Capacity (MW)	470	MW	CARD 1-12 Attachment 1 at 50.
5	Accredited Capacity from Renewable Resources		MW-Months	Derived from the response to TIEC 9-1
6	Total Capacity Cost (Total Company)			L3 x L5 x 1000
7	Texas Retail Jurisdictional Production Allocation Factor	36.928%		Exhibit JOA-2
8	Texas Retail Imputed Capacity Costs			L6 x L7

SOUTHWESTERN ELECTRIC POWER COMPANY**Ancillary Services Costs****April 2019 through March 2020**

Line	Month	Ancillary Services Charges (Total Company)	System Peak Demand (MW)	Unit Cost (\$/MW- Month)
		(1)	(2)	(3)
1	Apr-19	\$476,886	3,245	\$146.98
2	May-19	\$499,145	3,854	\$129.51
3	Jun-19	\$360,626	4,307	\$83.72
4	Jul-19	\$778,532	4,436	\$175.49
5	Aug-19	\$471,202	4,727	\$99.68
6	Sep-19	\$87,254	4,493	\$19.42
7	Oct-19	\$327,194	4,209	\$77.74
8	Nov-19	\$271,975	4,063	\$66.95
9	Dec-19	\$211,819	3,900	\$54.32
10	Jan-20	\$169,365	3,590	\$47.18
11	Feb-20	\$167,958	3,713	\$45.23
12	Mar-20	\$324,413	2,930	\$110.73
13	Total	\$4,146,369	47,466	\$87.35

Source:	SWEPCO's Response to TIEC 1-27	Schedule H-12.6a	(1) / (2)
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